

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY CARACAS

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E.O. 11652 N/A

TAGS: ENRG

SUBJECT: PETROLEUM IMPORTS

REF: CARACAS 5743

1. JUNE 19 PROCLAMATION SETS UP A SPECIAL FEE SCHEDULE FOR IMPORTS FROM CANADA OF MOGAS AND OTHER FINISHED PRODUCTS WHICH IN FACT IS LOWER THAN THAT PROVIDED FOR IMPORTS FROM VENEZUELA AND ALL OTHER SUPPLIERS. FEE FOR THESE CANADIAN IMPORTS REMAINS AT ZERO UNTIL MAY 1, 1974 AND THEN SCALES UPWARD TO FULL 63 CENT RATE BY MAY 1, 1980. BY CONTRAST VENEZUELAN AND ALL OTHER MOGAS/PRODUCT IMPORTS WHICH BEAR FEE REQUIREMENT START AT 52 CENT FEE LEVEL ON MAY 1, 1973 AND CLIMB TO 63 CENT LEVEL ON MAY 1, 1975.

2. SPECIAL SCHEDULE FOR CANADIAN PRODUCTS IS IN EFFECT A TECHNICAL ADJUSTMENT MADE NECESSARY BY CANADA'S SPECIAL
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SUPPLIER STATUS FOR SOME U.S. USERS WHO WOULD SUFFER

ECONOMIC DAMAGE FROM NEW IMPORT PROGRAM IF IT HAD NOT BEEN MODIFIED BY JUNE 19 PROCLAMATION. UNDER FORMER IMPORT SYSTEM, CANADIAN PRODUCT IMPORTS DID NOT REQUIRE TICKETS, HENCE IMPORTERS THESE PRODUCTS WOULD HAVE BEEN DENIED FEE EXEMPTIONS GRANTED UNDER NEW SYSTEM TO FORMER TICKET HOLDERS. THESE USERS INCLUDE UTILITY IN MICHIGAN (DETROIT EDISON) USING CANADIAN CRUDE OIL FOR BURNING, (WHICH UNLESS EXEMPTED BY NEW PROCLAMATION

WOULD HAVE HIGHER FEE IMPOSED UNDER NEW PROGRAM). ALSO, NUMBER OF GAS STATIONS NEAR CANADIAN BORDER RELYING ON CANADIAN MOGAS WOULD SUDDENLY HAVE HAD TO PAY SUBSTANTIALLY INCREASED PRICE FOR THAT GASOLINE UNDER NEW IMPORT PROGRAM, IF FEE STRUCTURE HAD NOT BEEN MODIFIED BY JUNE 19 PROCLAMATION.

3. AS MENTIONED IN WHITMAN-OGG TELECON OF JUNE 11, INTENT OF PROCLAMATION IS ONE OF RELIEVING CERTAIN SPECIFIC IMPORTERS OF SUDDEN JUMP IN FEES WHICH WOULD OCCUR UNDER NEW IMPORT REGIME. THERE ARE NUMBER OF REASONS WHY DEPARTMENT BELIEVES THAT PROCLAMATION CONDITIONS WILL NOT PROVIDE PERMANENT AND LARGE SCALE BENEFITS FOR CANADIAN PRODUCT IMPORTS: (A) SPECIAL FEE STRUCTURE APPLIES ONLY TO MOGAS AND OTHER PRODUCTS MADE FROM CANADIAN CRUDES (B) CANADIAN EXPORT CONTROLS ON SUCH SHIPMENTS (C) PHASE OUT OF EXEMPTION BY 1980 WILL BECAUSE OF REFINERY CONSTRUCTION LEAD TIMES, INHIBIT CONSTRUCTION OF REFINERIES SPECIALLY DESIGNED TO TAKE ADVANTAGE OF THIS REGULATION.

4. COPY OF JUNE 19 PROCLAMATION POUCHED TO YOU JULY 10. DEPT ALSO PLANS TO CONVEY FOREGOING TO ROSSI LATER THIS WEEK. ROGERS

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